

**Statement Before the  
Subcommittee on Specialty Crops  
Committee on Agriculture  
U.S. House of Representatives  
Washington, D.C.**

**Hearing on  
PEANUT PROGRAM REVIEW  
March 11, 2004**

**Presented By  
Ben Smith  
American Peanut Product Manufacturers, Inc.  
Columbus, Georgia**

Mr. Chairman and Members of the Committee:

I am Ben Smith and I serve as a board member of the American Peanut Product Manufacturers, Inc. (APPMI). APPMI is a national trade association whose member companies manufacture a majority of the peanut candy, peanut butter and snack peanuts consumed in the United States. We have always preferred to buy U.S.-grown peanuts and now we have that opportunity without limitation since Congress approved the new peanut program contained in the 2002 farm bill.

### **New Peanut Program Has Made the Industry More Competitive**

We strongly support the new marketing loan program for peanuts, which is designed to make the U.S. peanut industry more competitive. We believe that this new program has served the entire peanut industry, by making each segment of the U.S. peanut industry more efficient. The program has allowed peanut product manufacturers to expand advertising and promotion of peanut products, as well as creating an incentive to develop new peanut products. In some cases, there have been price reductions in products containing peanuts.

### **New Peanut Program Translates to Increased Consumption**

The new program has also led to an increased consumption of peanuts in the United States. According to USDA's Peanut Stocks and Processing Report, total peanut usage has increased by 7.4 percent in the first six months of this marketing year, which began August 1, 2003. Snack peanut usage is up 14.6 percent, peanut butter usage is up 9 percent and peanut candy usage is up 0.2 percent half way through this marketing year.

As reported in the February 28 issue of Peanut Farm Market News '04, increased peanut product consumption "is good news for the peanut industry." We believe that peanut usage is up at least in part due to additional advertising of peanut products, the introduction of a number of new products using peanuts, and a more favorable impression of peanuts among consumers.

### **Manufacturers Eye New Peanut Products**

If you look at some of the innovative ideas that manufacturers have for new peanut products and with a new federal peanut program that will help make U.S. peanut producers competitive with any other peanut producers in the world -- this is an exciting time to be in the peanut business.

We at Tom's Foods have a number of new peanut containing products, including an energy bar along with a number of new bars in a line that we manufacture for major companies that are poised for introduction within the next several months.

Other APPMI member companies have also introduced successful new peanut products. For example, The J.M. Smucker Company has had a great response to its new

Uncrustables®, which is a thaw and serve, fresh-frozen peanut butter and jelly sandwich with no crust. Hershey Foods has introduced several new peanut candy products, including Mr. GOODBAR Bites® and REESE'S White Chocolate Peanut Butter Cups®. Masterfoods USA, which is the new name for M&M Mars, has a new energy bar called Snickers Marathon® as well as its Snickers Cruncher® and Kudos Fruit & Nut®. Masterfoods USA is also currently running a promotion of its Snickers® bar, with more peanuts than ever.

### **Need for Transparent Process in Setting the Repayment Rate**

The transition to this new program has gone smoother than anyone could have hoped for. However, even with our strong support of the program, we do want to take advantage of this hearing to discuss one concern that will improve the operation of the program. We believe that the committee should take a look at how USDA administers the repayment rate for peanuts.

We believe that USDA's determination of the weekly national posted price for peanuts should be a more transparent process, so that we have the ability to compute market fundamentals that could be used by the peanut industry to develop better forecasting models. Greater transparency in the method of establishing the national posted price would allow the industry to improve decision-making for planning purposes.

Thank you for allowing us the opportunity to comment on the new peanut program.